

**CASTLE DALE CITY**  
**FINANCIAL STATEMENTS**  
**JUNE 30, 2005**

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## INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and City Council  
Castle Dale City  
Castle Dale, Utah 84513

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Castle Dale City as of and for the year ended June 30, 2005, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Castle Dale City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Castle Dale City as of June 30, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 29, 2005, on our consideration of Castle Dale City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis and budgetary comparison information on pages 4 through 14 and 40 through 43 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Castle Dale City's basic financial statements. The combining and individual nonmajor fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements of Castle Dale City. The combining and individual nonmajor fund financial statements and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

  
KIMBALL & ROBERTS, P. C.  
Certified Public Accountants

September 29, 2005  
Richfield, Utah

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is used to assist in formatting, for easier reading)

## **CASTLE DALE CITY MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

This discussion of Castle Dale City's financial performance provides an overview of the City's financial activities for the year ending June 30, 2005. This report is in conjunction with the City's financial statements.

The purpose of the City is to provide general services to its residents which includes general government, public safety, highways and parks and recreation.

### **Financial Highlights**

- \* The assets of the City exceeded its liabilities as of the close of the most recent year by \$3,483,704 (net assets). Of this amount, \$257,210 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- \* The government's total net assets decreased by \$39,117. The revenues were more than the adopted budgeted amounts, and expenditures were less than the adopted budgeted amounts.
- \* At the close of the current year, the City's governmental funds reported ending fund balances of \$245,461, an increase of \$89,607 in comparison with the prior year. Approximately 54 percent of this total amount, \$131,270, is available for spending at the government's discretion (unreserved fund balance).
- \* At the end of the current year, unreserved fund balance for the general fund was \$131,270, or 23 percent of total general fund expenditures.
- \* The City's total debt decreased by \$18,000 during the current year.

### **Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to Castle Dale City's basic financial statements. The City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

### **Government-wide Financial Statements**

The *government-wide financial statements* are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private sector business.

The *statement of net assets* presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges. The governmental activities of the City include general government, public health, highways and parks and recreation. The business-type activity of the City is the enterprise fund, containing water, sewer and garbage services.

Refer to the table of contents for the location of the government-wide financial statements.

### **Fund Financial Statements**

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Castle Dale City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories: governmental funds and enterprise funds.

### **Governmental Funds**

*Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statement, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on balance of spendable resources available at the end of the year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditure, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

Castle Dale City maintains three governmental funds; the general fund, which is always a major fund, the municipal building authority fund and the perpetual care fund, both of these funds are nonmajor funds.

The City adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided to demonstrate legal compliance with the adopted budget.

Refer to the table of contents for the location of the basic governmental fund financial statements.

### **Proprietary Funds**

Castle Dale City maintains one type of proprietary fund. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City uses an enterprise fund to account for its water, sewer and garbage operations.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The enterprise fund is considered a major fund of the City.

Refer to the table of contents for the location of the basic proprietary fund financial statements.

## Notes To The Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes are part of the basic financial statements.

### Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the City.

### Government-Wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of Castle Dale City, assets exceeded liabilities by \$3,483,704 at the close of the most recent fiscal year.

By far the largest portion of the City's net assets (90 percent) reflects its investment in capital assets (e.g. land, buildings, machinery, equipment and infrastructure), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

#### Castle Dale City's Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2005	2004	2005	2004	2005	2004
Current and Other Assets	255,915	115,797	161,110	132,259	417,025	248,056
Capital Assets	<u>2,697,958</u>	<u>2,841,145</u>	<u>771,345</u>	<u>793,931</u>	<u>3,469,303</u>	<u>3,635,076</u>
<b>Total Assets</b>	<b><u>2,953,873</u></b>	<b><u>2,956,942</u></b>	<b><u>932,455</u></b>	<b><u>926,190</u></b>	<b><u>3,886,328</u></b>	<b><u>3,883,132</u></b>
Long-Term Liabilities	357,000	375,000	-	-	357,000	375,000
Other Liabilities	<u>10,454</u>	<u>24,077</u>	<u>35,170</u>	<u>15,428</u>	<u>45,624</u>	<u>39,505</u>
<b>Total Liabilities</b>	<b><u>367,454</u></b>	<b><u>399,077</u></b>	<b><u>35,170</u></b>	<b><u>15,428</u></b>	<b><u>402,624</u></b>	<b><u>414,505</u></b>
<b>Net Assets:</b>						
Invested in Capital Assets						
Net of Related Debt	2,340,958	2,456,253	771,345	793,931	3,112,303	3,250,184
Restricted	114,191	26,892	-	-	114,191	26,892
Unrestricted	<u>131,270</u>	<u>74,720</u>	<u>125,940</u>	<u>116,831</u>	<u>257,210</u>	<u>191,551</u>
<b>Total Net Assets</b>	<b><u>2,586,419</u></b>	<b><u>2,557,865</u></b>	<b><u>897,285</u></b>	<b><u>910,762</u></b>	<b><u>3,483,704</u></b>	<b><u>3,468,627</u></b>

A portion of the City's net assets (.2 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets, \$257,210, may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the year, the City is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities.

### Governmental Activities

Governmental activities decreased the City's net assets by \$25,639. Key elements of this decrease follows:

#### Castle Dale City's Changes in Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2005	2004	2005	2004	2005	2004
Revenues:						
Program Revenues:						
Charges for Services	58,180	49,699	238,650	193,067	296,830	242,766
Operating Grants	78,080	99,038			78,080	99,038
Capital Grants	95,690	-	-	-	95,690	-
General Revenues:						
Property Taxes	59,316	55,015	-	-	59,316	55,015
Other Taxes	348,624	272,276	-	-	348,624	272,276
Grants and Contributions Not Restricted to Specific Programs	-	-	-	-	-	-
Gain on Sale of Equipment	20,100				20,100	
Unrestricted Investment Earnings	7,340	3,798	-	-	7,340	3,798
Total Revenues	667,330	479,826	238,650	193,067	905,980	672,893
Expenses:						
General Government	146,829	183,569	252,128	213,940	398,957	397,509
Public Safety	29,103	29,811	-	-	29,103	29,811
Highways	357,593	357,272	-	-	357,593	357,272
Parks and Recreation	159,444	173,283	-	-	159,444	173,283
Total Expenses	692,969	743,935	252,128	213,940	945,097	957,875
Decrease in Net Assets Before Transfers	(25,639)	(264,109)	(13,478)	(20,873)	(39,117)	(284,982)
Transfers	-	-	-	-	-	-
Increase in Net Assets	(25,639)	(264,109)	(13,478)	(20,873)	(39,117)	(284,982)
Net Assets - Beginning	2,612,058	2,876,167	910,763	931,635	3,522,821	3,807,802
Net Assets - Ending	2,586,419	2,612,058	897,285	910,762	3,483,704	3,522,820

For the most part, increases in expenses closely paralleled inflation and growth in the demand for services.



## **Business-Type Activities**

Business-type activities decreased the City's net assets by \$13,478. Key elements of the changes are shown above.

## **Financial Analysis of the Government's Funds**

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

### **Governmental Funds**

The focus of the City's *governmental funds* is to provide information on near-term inflows, outflows and balances of *spendable* resources. Such information is useful in assessing the City's financing requirements. In particular *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the year.

At the end of the year, the City's governmental funds reported ending fund balance of \$245,461 an increase of \$89,607 in comparison with the prior year. Approximately 54 percent of this amount, \$131,270 constitutes *unreserved fund balance*, which is available for spending at the government's discretion. The remainder of fund balance is *reserved* to indicate that it is not available for new spending because it has already been committed: 1) to highways and public improvements, \$43,000; 2) debt service \$58,263 and 3) perpetual care \$12,928.

The general fund is the chief operating fund of the City. At the end of the current year, unreserved fund balance of the general fund was \$131,270, while total fund balance reached \$187,270. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 23 percent of total general fund expenditures, while total fund balance represents 33 percent of that same amount.

### **Proprietary Funds**

The City's proprietary fund provides the same type of information found in the government-wide financial statements but in more detail.

Unrestricted net assets of the enterprise fund at the end of the year was \$125,940. Other factors concerning the finances of this fund have already been addressed in the discussion of the City's business type activities.

### **General Fund Budgetary Highlights**

Differences between the original budget and the final amended budget was \$100,000 and can be briefly summarized as follows:

- \* \$100,000 increase in general government expenditures.

Of the total general fund expenditures, \$-0- was funded out of prior year's unreserved fund balance. Actual revenues exceeded budgeted revenues by \$71,948 and actual expenditures were less than budgeted expenditures by \$23,602.

## Capital Asset and Debt Administration

### Capital Assets

The City's investment in capital assets for its governmental activities as of June 30, 2005, was \$2,697,958 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements other than buildings, equipment and infrastructure, which includes roads, highways and bridges. The total increase in the City's investment in capital assets for the current year was \$101,554. The capital asset addition during the current year included the following:

- \* A Backhoe \$62,500, playground equipment \$39,624 and land for \$46,200.

#### Castle Dale City's Capital Assets (net of depreciation)

	Governmental Activities		Business-Type Activities		Total	
	2005	2004	2005	2004	2005	2004
Land	164,180	117,880	-	-	164,180	117,880
Water Shares			283,088	283,088	283,088	283,088
Infrastructure	1,880,495	2,115,557	-	-	1,880,495	2,115,557
Buildings	145,077	159,235	-	-	145,077	159,235
Improvements Other than Buildings	374,725	386,444	488,257	510,843	862,982	897,287
Equipment	133,481	52,137	-	-	133,481	52,137
Total	<u>2,697,958</u>	<u>2,831,253</u>	<u>771,345</u>	<u>793,931</u>	<u>3,469,303</u>	<u>3,625,184</u>

Additional information on the City's capital assets can be found in the notes to the financial statements.

### Long -Term Debt

At the end of the current year, the City had revenue bonds outstanding of \$357,000.

	Governmental Activities		Business-Type Activities		Total	
	2005	2004	2005	2004	2005	2004
Long-Term Debt	<u>357,000</u>	<u>375,000</u>	<u>-</u>	<u>-</u>	<u>357,000</u>	<u>375,000</u>

State statutes limit the amount of general obligation debt a governmental entity may issue to 12 percent of its total fair market value of taxable property in the City. The current debt limitation for the City is approximately \$5,000,000, however the City has no general obligation debt.

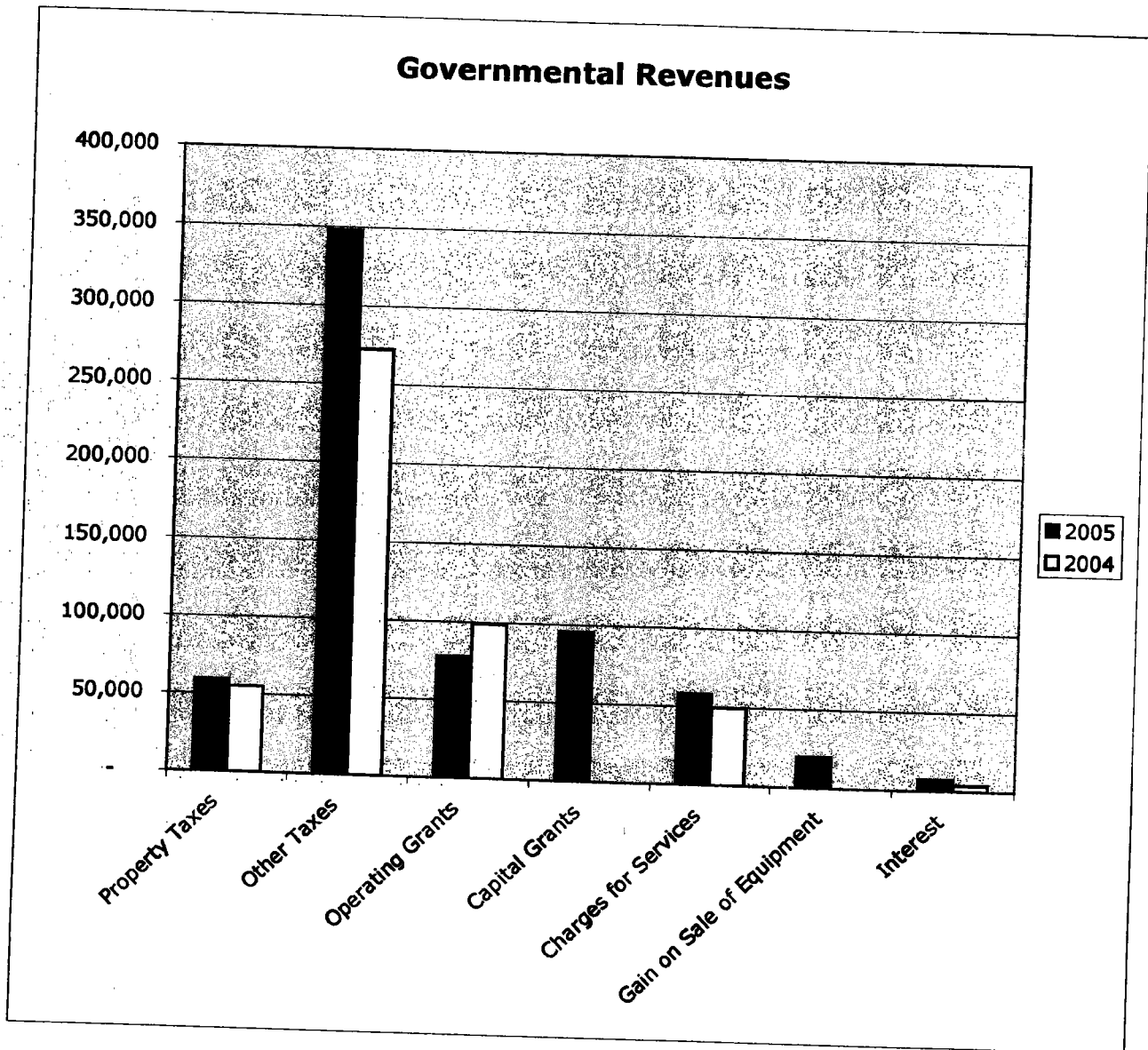
Additional information on the City's long-term debt can be found in the notes to the financial statements.

### **Request for Information**

This financial report is designed to provide a general overview of Castle Dale City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Castle Dale City Recorder, P.O. Box 728, Castle Dale, Utah, 84513.

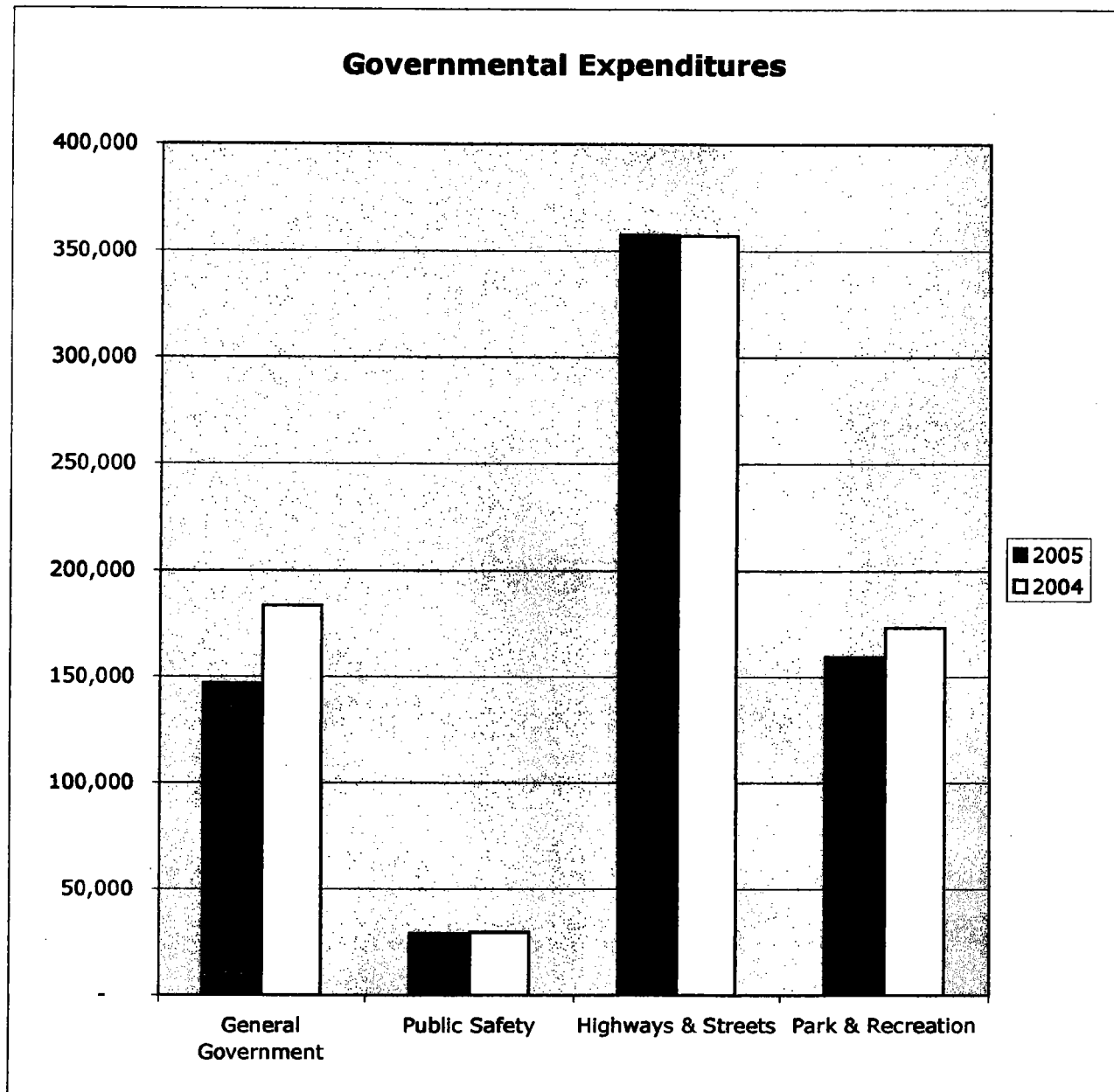
**Castle Dale City  
Governmental Revenues  
For The Fiscal Years Ending June 30, 2005 and 2004**

	2005	2004
Property Taxes	59,316	55,015
Other Taxes	348,624	272,276
Operating Grants	78,080	99,038
Capital Grants	95,690	
Charges for Services	58,180	49,699
Gain on Sale of Equipment	20,100	
Interest	7,340	3,798
<b>Total Revenues</b>	<b>667,330</b>	<b>479,826</b>



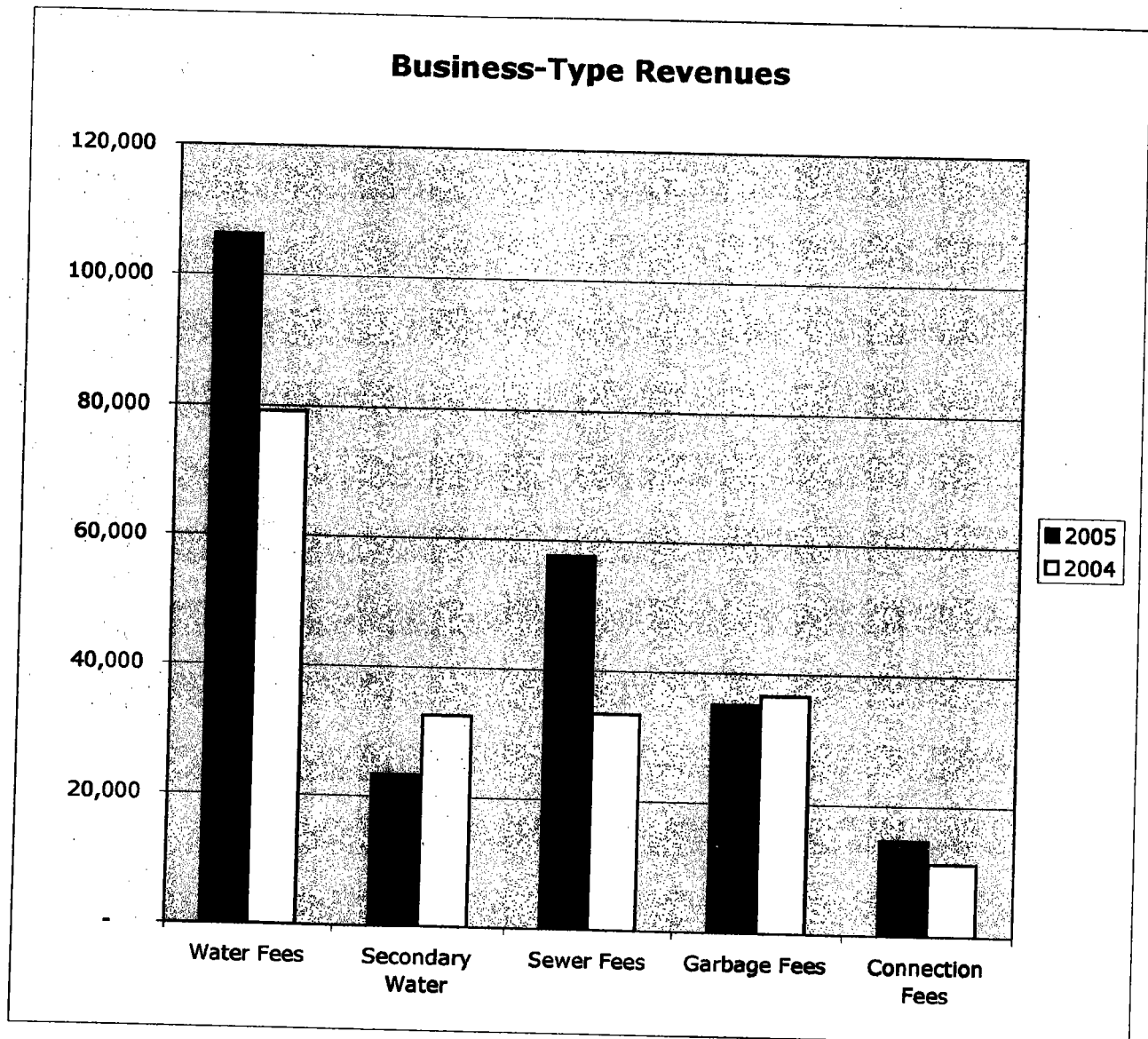
**Castle Dale City  
Governmental Expenditures  
For The Fiscal Years Ending June 30, 2005 and 2004**

	2005	2004
General Government	146,829	183,569
Public Safety	29,103	29,811
Highways & Streets	357,593	357,272
Park & Recreation	159,444	173,283
<b>Total Expenditures</b>	<b>692,969</b>	<b>743,935</b>



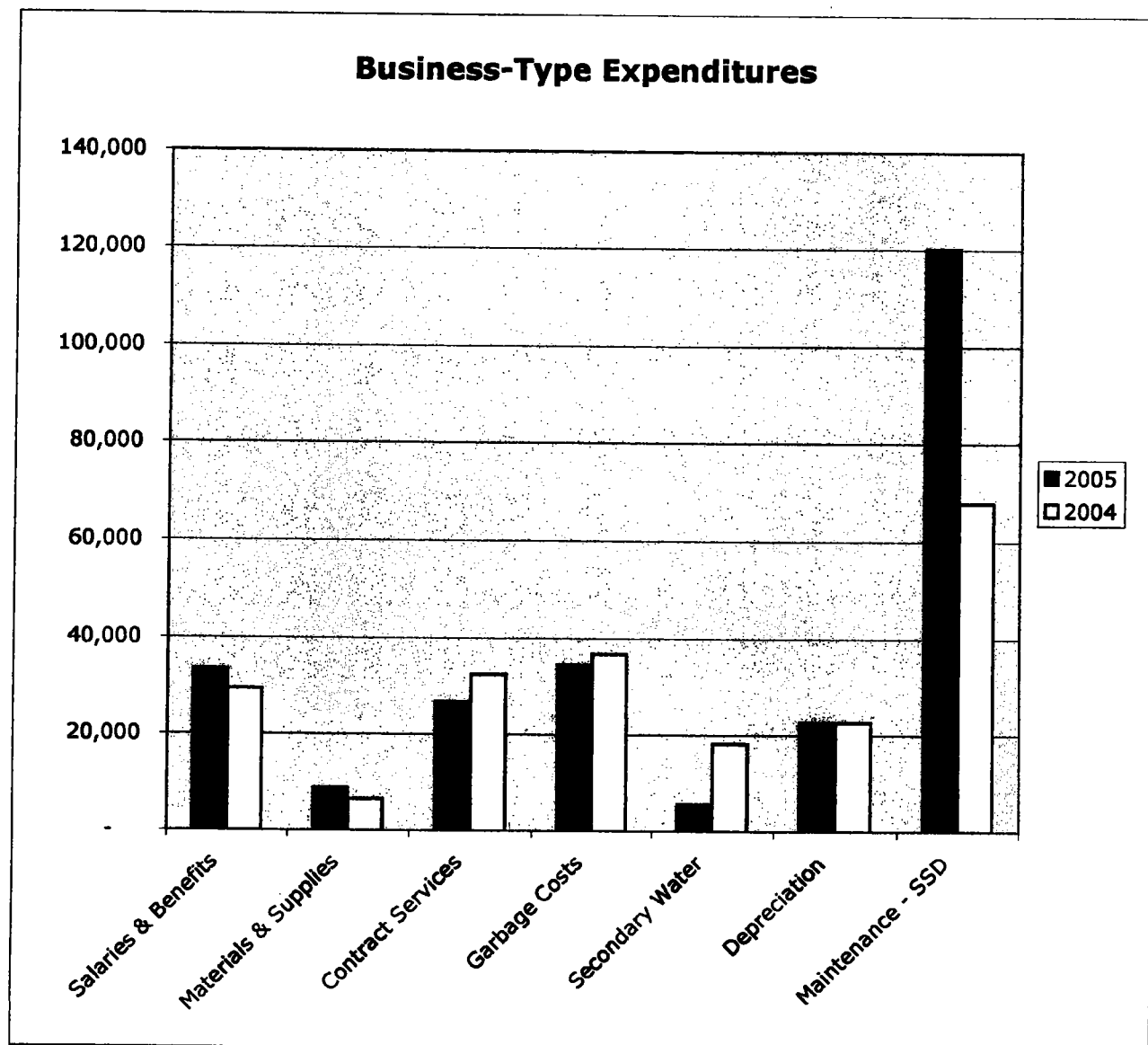
**Castle Dale City  
Business-Type Revenues  
For The Fiscal Years Ending June 30, 2005 and 2004**

	2005	2004
Water Fees	106,236	79,208
Secondary Water	23,473	32,684
Sewer Fees	57,624	33,350
Garbage Fees	35,236	36,655
Connection Fees	14,702	11,170
Total Revenues	237,271	193,067



**Castle Dale City**  
**Business Type Expenditures**  
**For The Fiscal Years Ending June 30, 2005 and 2004**

	2005	2004
Salaries & Benefits	33,520	29,458
Materials & Supplies	8,850	6,552
Contract Services	26,837	32,546
Garbage Costs	34,524	36,745
Secondary Water	5,586	18,221
Depreciation	22,586	22,586
Maintenance - SSD	120,225	67,831
<b>Total Expenditures</b>	<b>252,128</b>	<b>213,939</b>



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# **BASIC FINANCIAL STATEMENTS**

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**CASTLE DALE CITY  
STATEMENT OF NET ASSETS**

**June 30, 2005**

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Current Assets:			
Cash and Cash Equivalents	229,843	112,921	342,764
Accounts Receivable (Net)	-	48,189	48,189
Due From Other Government Units	13,072	-	13,072
<b>Total Current Assets</b>	<b>242,915</b>	<b>161,110</b>	<b>404,025</b>
Noncurrent Assets:			
Restricted Cash and Cash Equivalents	13,000	-	13,000
Capital Assets (Net of Accumulated Depreciation):			
Land	164,180	-	164,180
Water Shares	-	283,088	283,088
Buildings	145,077	-	145,077
Improvements Other Than Buildings	374,725	-	374,725
Equipment	133,481	-	133,481
Water and Sewer Systems Infrastructure	- 1,880,495	488,257 -	488,257 1,880,495
<b>Total Noncurrent Assets</b>	<b>2,710,958</b>	<b>771,345</b>	<b>3,482,303</b>
<b>TOTAL ASSETS</b>	<b>2,953,873</b>	<b>932,455</b>	<b>3,886,328</b>
<b>LIABILITIES</b>			
Current Liabilities:			
Accounts Payable	6,224	34,390	40,614
Accrued Liabilities	4,230	780	5,010
Lease Revenue Bonds - Due Within One Year	18,000	-	18,000
<b>Total Current Liabilities</b>	<b>28,454</b>	<b>35,170</b>	<b>63,624</b>
Noncurrent Liabilities:			
Lease Revenue Bonds - Due More Than One Year	339,000	-	339,000
<b>TOTAL LIABILITIES</b>	<b>367,454</b>	<b>35,170</b>	<b>402,624</b>
<b>NET ASSETS</b>			
Investment in Capital Assets, Net of Debt	2,340,958	771,345	3,112,303
Restricted For:			
Bond Retirement	13,000	-	13,000
Perpetual Care	45,263	-	45,263
Class C Road	43,000	-	43,000
Municipal Building Authority	12,928	-	12,928
Unrestricted	131,270	125,940	257,210
<b>TOTAL NET ASSETS</b>	<b>2,586,419</b>	<b>897,285</b>	<b>3,483,704</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>2,953,873</b>	<b>932,455</b>	<b>3,886,328</b>

The notes to the financial statements are an integral part of this statement.

**CASTLE DALE CITY  
STATEMENT OF ACTIVITIES**

**For The Fiscal Year Ended June 30, 2005**

Function/Programs Primary Government:	Expenses	Program Revenues		Net (Expense) Revenues and Changes in Net Assets		
		Charges for Services	Operating Grants/ Contributions	Capital Grants/ Contributions	Primary Government	
					Governmental Activities	Business-Type Activities
Governmental Activities:						
General Government	146,829	21,681	-	64,990	(60,158)	(60,158)
Public Safety	29,103	-	-	-	(29,103)	(29,103)
Streets and Public Improvements	357,593	-	63,080	-	(294,513)	(294,513)
Park and Recreation	159,444	36,499	15,000	30,700	(77,245)	(77,245)
Total Governmental Activities	692,969	58,180	78,080	95,690	(461,019)	(461,019)
Business-Type Activities:						
Water and Sewer Funds	252,128	238,650	-	-	-	(13,478)
Total Primary Government	945,097	296,830	78,080	-	(461,019)	(13,478)
						(474,497)
General Revenues:						
Property Taxes					59,316	59,316
Fee-In-Lieu of Property Taxes					18,606	18,606
Sales Taxes					267,526	267,526
Franchise Taxes					9,251	9,251
Other Taxes					53,241	53,241
Gain on Sale of Equipment					20,100	20,100
Unrestricted Investment Earnings					7,340	7,340
Total General Revenues and Transfers					435,380	435,380
Change in Net Assets					(25,639)	(13,478)
Net Assets - Beginning					2,612,058	910,763
Net Assets - Ending					2,586,419	897,285
						3,483,704

The notes to the financial statements are an integral part of this statement.

**CASTLE DALE CITY  
BALANCE SHEET  
GOVERNMENTAL FUNDS**

**For The Fiscal Year Ended June 30, 2005**

	General Fund	Non-Major Governmental Funds	Total Governmental Funds
<b>ASSETS</b>			
Cash and Cash Equivalents	184,652	58,191	242,843
Due From Other Government Units	<u>13,072</u>	<u>-</u>	<u>13,072</u>
<b>TOTAL ASSETS</b>	<u><u>197,724</u></u>	<u><u>58,191</u></u>	<u><u>255,915</u></u>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>Liabilities:</b>			
Accounts Payable	6,224	-	6,224
Accrued Liabilities	<u>4,230</u>	<u>-</u>	<u>4,230</u>
<b>Total Liabilities</b>	<u><u>10,454</u></u>	<u><u>-</u></u>	<u><u>10,454</u></u>
<b>Fund Balances:</b>			
<b>Reserved For:</b>			
Class C Road	43,000	-	43,000
Debt Retirement	13,000	45,263	58,263
Perpetual Care	-	12,928	12,928
<b>Unreserved, Reported In:</b>			
General Fund	<u>131,270</u>	<u>-</u>	<u>131,270</u>
<b>Total Fund Balance</b>	<u><u>187,270</u></u>	<u><u>58,191</u></u>	<u><u>245,461</u></u>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<u><u>197,724</u></u>	<u><u>58,191</u></u>	<u><u>255,915</u></u>

The notes to the financial statements are an integral part of this statement.

**CASTLE DALE CITY**  
**BALANCE SHEET RECONCILIATION TO STATEMENT OF NET ASSETS**

**June 30, 2005**

Total Fund Balances - Governmental Fund Types	245,461
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Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore, are not reported in the funds.

Land	164,180	
Buildings	145,077	
Improvements Other Than Buildings	374,725	
Equipment	133,481	
Infrastructure	<u>1,880,495</u>	
 Total		 2,697,958

Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.

MBA Revenue Bonds	<u>(357,000)</u>
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Net Assets of Government Activities	<u><u>2,586,419</u></u>
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**CASTLE DALE CITY**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**

**For The Fiscal Year Ended June 30, 2005**

	General Fund	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>			
Taxes	407,940	-	407,940
Licenses and Permits	7,928	-	7,928
Intergovernmental Revenue	173,770	-	173,770
Charges for Services	34,856	-	34,856
Perpetual Care	-	1,643	1,643
Interest	7,044	295	7,339
Miscellaneous Revenues	<u>33,853</u>	<u>23,000</u>	<u>56,853</u>
 Total Revenues	 <u>665,391</u>	 <u>24,938</u>	 <u>690,329</u>
<b>Expenditures:</b>			
Current:			
General Government	168,195	225	168,420
Public Safety	27,348	-	27,348
Streets and Public Improvements	108,043	-	108,043
Parks and Recreation	128,227	-	128,227
Capital Outlay	138,028	10,396	148,424
Debt Service:			
Principal	-	18,000	18,000
Interest	<u>-</u>	<u>2,260</u>	<u>2,260</u>
 Total Expenditures	 <u>569,841</u>	 <u>30,881</u>	 <u>600,722</u>
 Net Change In Fund Balance	 95,550	 (5,943)	 89,607
 Fund Balance - Beginning	 <u>91,720</u>	 <u>64,134</u>	 <u>155,854</u>
 Fund Balance - Ending	 <u><u>187,270</u></u>	 <u><u>58,191</u></u>	 <u><u>245,461</u></u>

The notes to the financial statements are an integral part of this statement.

**CASTLE DALE CITY**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN**  
**FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**

**For The Fiscal Year Ended June 30, 2005**

Amounts reported for governmental activities in the statement of activities are different because:

Net Changes in Fund Balances - Total Governmental Funds		89,607
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.		
Capital Outlays	148,424	
Depreciation	<u>(281,670)</u>	
Total		(133,246)

The issuance of long-term debt (e.g., bonds, leases) provide current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Principal Payment on Debt	<u>18,000</u>
Changes In Net Assets of Governmental Activities	<u><u>(25,639)</u></u>

**CASTLE DALE CITY  
STATEMENT OF NET ASSETS  
PROPRIETARY FUND**

**June 30, 2005**

	Business-Type Activity <u>Enterprise Fund</u> Water and <u>Sewer Fund</u>
<b>ASSETS:</b>	
Current Assets:	
Cash and Cash Equivalents	112,921
Accounts Receivable	<u>48,189</u>
Total Current Assets	<u>161,110</u>
Noncurrent Assets:	
Capital Assets: (Net of Accumulated Depreciation)	
Water Stock	283,088
Water and Sewer Systems	<u>488,257</u>
Total Noncurrent Assets	<u>771,345</u>
TOTAL ASSETS	<u><u>932,455</u></u>
<b>LIABILITIES:</b>	
Current Liabilities:	
Accounts Payable	34,390
Accrued Liabilities	<u>780</u>
TOTAL LIABILITIES	<u>35,170</u>
<b>NET ASSETS:</b>	
Invested in Capital Assets, Net of Related Debt	771,345
Unrestricted	<u>125,940</u>
TOTAL NET ASSETS	<u>897,285</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>932,455</u></u>

The notes to the financial statements are an integral part of this statement.



**CASTLE DALE CITY**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS**  
**PROPRIETARY FUND**

June 30, 2005

	Business-Type Activity <u>Enterprise Fund</u> Water and <u>Sewer Fund</u>
<b>Operating Revenues:</b>	
Charges for Sales and Services:	
Water	106,236
Secondary Water	23,473
Sewer	57,624
Garbage	35,236
Water and Sewer Connections	14,702
Other	<u>1,379</u>
Total Operating Revenues	<u>238,650</u>
<b>Operating Expenses:</b>	
Salaries and Wages	31,307
Employee Benefits	2,213
Maintenance and Operations	7,612
Contract Services	26,837
Special Service District	120,225
Materials, Supplies and Utilities	1,238
Garbage Costs	34,524
Secondary Water System	5,586
Depreciation	<u>22,586</u>
Total Operating Expenses	<u>252,128</u>
Change in Net Assets	(13,478)
Total Net Assets - Beginning	<u>910,763</u>
Total Net Assets - Ending	<u><u>897,285</u></u>

The notes to the financial statements are an integral part of this statement.

**CASTLE DALE CITY  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUND**

**June 30, 2005**

	Business-Type Activity <u>Enterprise Fund</u> Water and Sewer Fund
<b>Cash Flows From Operating Activities:</b>	
Receipts From Customers	229,509
Payments to Suppliers	(178,493)
Payments to Employees	<u>(31,307)</u>
Net Cash Provided by Operating Activities	<u>19,709</u>
Net Increase (Decrease) in Cash and Cash Equivalents	19,709
Cash and Cash Equivalents - Beginning	<u>93,212</u>
Cash and Cash Equivalents - Ending	<u><u>112,921</u></u>
<b>Reconciliation of Operating Income to Net Cash Provided (Used) By Operating Activities:</b>	
Operating Income	<u>(13,478)</u>
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) By Operating Activities:	
Depreciation	22,586
Increase (Decrease) In Operating Assets:	
Accounts Receivable	(9,141)
Accounts Payable	<u>19,742</u>
Total Adjustments	<u>33,187</u>
Net Cash Provided (Used) by Operating Activities	<u><u>19,709</u></u>

The notes to the financial statements are an integral part of this statement.

**CASTLE DALE CITY**  
**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2005**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of Castle Dale City conform to accounting principles generally accepted in the United States of America as applicable to governments. The following is a summary of the more significant policies:

The accompanying basic financial statements present the financial position of various fund types and the results of operations of the various fund types. The basic financial statements are presented for the year ended June 30, 2005.

The following is a summary of the more significant policies:

**A. Reporting Entity**

Castle Dale City is a municipal corporation in Emery County, Utah. It is governed by an elected Mayor and a five member council. As required by generally accepted accounting principles, these financial statements are of the primary government, Castle Dale City, the reporting entity. The City has no component units.

**B. Government-Wide and Fund Financial Statements**

The government-wide financial statements (i.e., statement of net assets and statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

**CASTLE DALE CITY**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**June 30, 2005**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**C. Measurement Focus, Basis of Accounting and Financial Statement Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and accrual basis of accounting as are the proprietary fund and the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, Castle Dale City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses and interest associated with the current fiscal period are considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenues items are considered to be measurable and available only when cash is received by the government.

The government reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Government also reports the following Other Governmental Funds:

The Municipal Building Authority Fund which accounts for the construction of major fixed assets then leased to the City for City purposes.

The Perpetual Care Permanent Fund is used to account for principal trust amounts received and related interest income. The interest portion of the trust can be used to maintain the cemetery.

The Government reports the following Proprietary Funds:

The Utility Funds accounts for the activities of the City water and sewer operations. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations.

**CASTLE DALE CITY**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**June 30, 2005**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

The principal operating revenues of the water and sewer funds are charges to customers for services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

**D. Assets, Liabilities and Net Assets or Equity**

**Deposits and Investments:**

The government's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the government to invest in obligations of the U. S. Treasury, commercial paper, corporate bonds, repurchase agreements and the State Treasurer's Investment Pool.

Investments for the government, as well as for its component units, are reported at fair value. The State Treasurer's Investment Pool operates in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares.

**Capital Assets:**

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at date of donation.

**CASTLE DALE CITY**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**June 30, 2005**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Property, plant and equipment of the primary government, as well as the component units, is depreciated using the straight line method over the following estimated useful lives:

Utility Systems	30 - 50 Years
Equipment	5 - 10 Years

**Long-Term Obligations:**

In the government-wide financial statements long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net assets.

In the fund financial statement, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, if any, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuance are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**Fund Equity:**

In the fund financial statements, governmental funds report reservations of fund balance for amounts not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designation of fund balance represent tentative management plans that are subject to change.

**E. Use of Estimates:**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**CASTLE DALE CITY**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**June 30, 2005**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**F. Budgets and Budgetary Accounting:**

The governing body of the entity shall establish the time and place of the public hearing to consider the adoption of the budget and shall publish notice of the hearing at least seven days prior to the hearing (no time period given for towns) in at least one issue of the newspaper of general circulation published within the County in which the entity is located. If no such newspaper is published, the required notice may be posted in three public places within the entity's jurisdiction.

The tentative budget must be made available to the public for inspection for a number of days, as provided by law, prior to the budget hearing.

1. On or before the first regularly scheduled meeting of the City Council in the month of May, the mayor prepares a tentative budget for the next budget year.
2. After a public notice has been published, a public hearing is then held on the adoption of the budget.
3. After the public hearing, the City Council makes final adjustments to the tentative budget.
4. On or before June 22, the City Council adopts the budget by resolution or ordinance and sets the tax rate for taxes.
5. The budget officer may transfer unexpended budgeted amounts within departments.
6. The City Council may transfer unexpended budgeted amounts from one department in a fund to another department in the same fund by resolution.
7. The total budget appropriation of any governmental fund may be increased only after a public hearing has been held and followed by resolution of the City Council.
8. Proprietary Fund budgets may be increased without a public hearing by resolution of the City Council.
9. Budgets for the General fund are adopted on a basis consistent with generally accepted accounting principles (GAAP).

The appropriated budget is prepared by fund, function and department. The government's department heads may make transfers of appropriations within a department. Transfers of appropriations between departments require the approval of the governing council. The legal level of budgetary control is the department level.

**CASTLE DALE CITY**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**June 30, 2005**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

The Fiscal Procedures Act for Utah Cities require local municipalities to restrict expenditures to authorized departmental budgets. The combined statement of revenues, expenditures and changes in fund balance - budget and actual identifies the departments and funds which have overexpended budgeted amounts if any and, therefore, do not comply with appropriate fiscal procedures.

**G. Property Tax Calendar:**

January 1	Lien Date - All property appraised based upon situs and status as of this date (real and personal).
March 1	Calendar year taxing entities must inform the County of the date, time and place of the budget hearing for the next fiscal year for inclusion with tax notice.
June 22	All taxing entities to adopt tentative budgets and proposed tax rates and report them to the county auditor.
July 22	County auditor to prepare and mail Notice of Valuation and Tax Changes to all real property owners, including centrally assessed property owners or in the event that Notices of Valuation and Tax Changes are not required, the county auditor is to compute taxes and the county treasurer is to mail tax notices.
September 1	State Tax Commission approves tax rates.
November 1	County auditor is to deliver the equalized assessment roll to the county treasurer with affidavit.
November 1	County auditor to charge the county treasurer to account for all taxes levied.
November 1	County treasurer to mail tax notices. Tax notices for calendar year entities include notice of budget hearings.
November 30	Taxes on real property become delinquent.



**CASTLE DALE CITY**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

June 30, 2005

**NOTE 2 - DEPOSITS AND INVESTMENTS**

The City maintains a cash and investment pool that is available for use by all funds. Each fund type's portion of this pool is displayed on the combined balance sheet as "Cash and Cash Equivalents".

**Deposits:**

At year end, the carrying amount of the Town's deposits was \$41,185 and the bank balance was \$51,542. All of the bank balance was covered by federal depository insurance. Utah State statutes do not require deposits to be collateralized, however, financial institutions must be approved by the State Money Management Council.

**Investments:**

Statutes authorize the City to invest in obligations of the U. S. Treasury, agencies, and instrumentalities, commercial paper rated A-1 by Standards and Poors Corporation or P-1 by Moody's Commercial Paper Record, bankers acceptances, repurchase agreements, and the state treasurer's investment pool. The City is also authorized to enter into reverse repurchase agreements.

The City's investments are categorized below to give an indication of the risk assumed by the City at year end. Category 1 includes investments that are insured or registered or for which the securities are held by the City in the City's name, and includes deposits collateralized by securities held by the City in the City's name. Category 2 includes uninsured and unregistered investments for which the investments are held by a broker or dealer in the City's name, and includes deposits collateralized by securities held by the pledging institution in the City's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the broker or dealer but not in the City's name, and includes deposits not insured or collateralized.

Castle Dale City's investments at year end are shown below:

	<u>Category 1</u>	<u>Category 2</u>	<u>Category 3</u>	<u>Fair Value/ Carrying Amount</u>
Investments	<u>-</u>	<u>-</u>	<u>-</u>	-
Other Items:				
State Treasurer's Investment Pool				<u>314,579</u>
Total				<u>314,579</u>

**CASTLE DALE CITY**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**June 30, 2005**

**NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)**

The Utah Public Treasurer's Investment Fund is an external deposit and investment pool wherein governmental entities are able to pool the monies from several entities to improve investment efficiency and yield. These monies are invested primarily in money market securities and contain no withdrawal restrictions. As such, the monies invested in this fund are not insured and are subject to the same market risks as any similar investment in money market funds. The Utah Public Treasurer's Investment Fund is not rated.

**Interest Rate Risk:**

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The City's policy for managing its exposure to fair value loss arising from increasing interest rates is to comply with the State's Money Management Act. Section 51-7-11 of the Act requires that the remaining term to maturity of investments may not exceed the period of availability of the funds to be invested.

**Credit Risk:**

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The City's policy for reducing its exposure to credit risk is to comply with the State's Money Management Act.

Cash is reflected in the financial statements as follows:

Governmental	242,843
Proprietary	<u>112,921</u>
Total	<u><u>355,764</u></u>

**NOTE 3 - WATER SHARES**

The Water and Sewer Fund has a total of 1,582.74 shares of Cottonwood Irrigation primary water and 55 shares of project water shares at a cost of \$283,088. The current value of the water shares is greater than the original cost.

**CASTLE DALE CITY**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

June 30, 2005

**NOTE 4 - CAPITAL ASSETS**

Capital assets activity for the fiscal year ended June 30, 2005, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
<b>Governmental Activities:</b>				
Capital Assets Not Being Depreciated:				
Land	94,080	46,300	-	140,380
Land Related to Infrastructure	<u>23,800</u>	<u>-</u>	<u>-</u>	<u>23,800</u>
 Total Capital Assets Not Being Depreciated	 <u>117,880</u>	 <u>46,300</u>	 <u>-</u>	 <u>164,180</u>
 Capital Assets Being Depreciated:				
Buildings	572,480	-	-	572,480
Improvements Other Than Bldgs	460,430	-	-	460,430
Machinery and Equipment	187,070	102,124	46,870	289,194
Infrastructure	<u>4,701,239</u>	<u>-</u>	<u>-</u>	<u>4,701,239</u>
 Total Capital Assets Being Depreciated	 <u>5,921,219</u>	 <u>102,124</u>	 <u>46,870</u>	 <u>6,023,343</u>
 Less Accumulated Depreciation For:				
Buildings	413,245	14,159	-	427,404
Improvements Other Than Bldgs	88,056	11,720	14,070	99,776
Machinery and Equipment	120,913	20,730	32,800	141,643
Infrastructure	<u>2,585,682</u>	<u>235,062</u>	<u>-</u>	<u>2,820,744</u>
 Total Accumulated Depreciation	 <u>3,207,896</u>	 <u>281,671</u>	 <u>46,870</u>	 <u>3,489,567</u>
 Total Capital Assets Being Depreciated (Net)	 <u>2,713,323</u>	 <u>(179,547)</u>	 <u>-</u>	 <u>2,533,776</u>
 Governmental Activities Capital Assets, Net	 <u>2,831,203</u>	 <u>(133,247)</u>	 <u>-</u>	 <u>2,697,956</u>

**CASTLE DALE CITY**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**June 30, 2005**

**NOTE 4 - CAPITAL ASSETS (CONTINUED)**

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
<b>Business Type Activities:</b>				
Capital Assets Not Being Depreciated:				
Water Stock	<u>283,088</u>	<u>-</u>	<u>-</u>	<u>283,088</u>
Total Capital Assets Not Being Depreciated	<u>283,088</u>	<u>-</u>	<u>-</u>	<u>283,088</u>
Capital Assets Being Depreciated:				
Equipment	<u>26,650</u>	<u>-</u>	<u>-</u>	<u>26,650</u>
Utility Systems	<u>1,070,300</u>	<u>-</u>	<u>-</u>	<u>1,070,300</u>
Total Capital Assets Being Depreciated	<u>1,096,950</u>	<u>-</u>	<u>-</u>	<u>1,096,950</u>
Less Accumulated Depreciation For:				
Equipment	<u>26,650</u>	<u>-</u>	<u>-</u>	<u>26,650</u>
Utility Systems	<u>559,457</u>	<u>22,586</u>	<u>-</u>	<u>582,043</u>
Total Accumulated Depreciation	<u>586,107</u>	<u>22,586</u>	<u>-</u>	<u>608,693</u>
Total Capital Assets Being Depreciated (Net)	<u>510,843</u>	<u>(22,586)</u>	<u>-</u>	<u>488,257</u>
Business Type Activities Capital Assets, Net	<u>793,931</u>	<u>(22,586)</u>	<u>-</u>	<u>771,345</u>
Total Capital Assets	<u><u>3,625,134</u></u>	<u><u>(155,833)</u></u>	<u><u>-</u></u>	<u><u>3,469,301</u></u>

**CASTLE DALE CITY**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

June 30, 2005

**NOTE 4 - CAPITAL ASSETS (CONTINUED)**

Depreciation expense was charged to functions of the Primary Government as follows:

	Governmental Activities	Business Type Activities	Total
General Government	1,409	-	1,409
Public Safety	1,755	-	1,755
Public Health	-	22,586	22,586
Highways and Public Improvements	249,550	-	249,550
Parks and Recreation	<u>28,957</u>	<u>-</u>	<u>28,957</u>
Total Depreciation Expense	<u><u>281,671</u></u>	<u><u>22,586</u></u>	<u><u>304,257</u></u>

**NOTE 5 - LEASE REVENUE BONDS**

**Municipal Building Authority of Castle Dale City:**

On July 8, 1998, the Castle Dale City Council created the Municipal Building Authority of Castle Dale City under section 11-29-3 of the Utah Code Annotated 1953. The purpose of the Building Authority is to finance the acquisition, construction, furnishing, leasing, maintaining, or operating of a maintenance shop, the construction of arena grandstands, restrooms and concession and announcer stands at the Castle Dale rodeo grounds, and related facilities under the City's jurisdiction. The Building Authority has obtained leases with Castle Dale City for the above mentioned facilities. The proceeds of the leases will be used to retire the bonded indebtedness of the Building authority. The Mayor and Castle Dale City Council are the trustees of the Building Authority.

On October 18, 1998, the Building Authority issued and sold Lease Revenue Bonds to the Community Impact Board of the State of Utah in the amount of \$447,270 to help finance these improvements. The Building Authority has acquired written leases with Castle Dale City to insure the repayment of their bonded indebtedness. The interest rate on the bonds is 0%.

**CASTLE DALE CITY**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**June 30, 2005**

**NOTE 5 - LEASE REVENUE BONDS (CONTINUED)**

The terms of the principal repayment are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005-2006	18,000	-	18,000
2006-2007	18,000	-	18,000
2007-2008	18,000	-	18,000
2008-2009	18,000	-	18,000
2009-2010	18,000	-	18,000
2011-2015	90,000	-	90,000
2016-2020	90,000	-	90,000
2021-2025	87,000	-	87,000
Total	<u>357,000</u>	<u>-</u>	<u>357,000</u>

**NOTE 6 - MUNICIPAL BUILDING AUTHORITY**

The following is a statement of revenues and expenditures in the Municipal Building Authority:

Fund Balance - Beginning of Year	9,892
Revenues:	
Lease Revenue	23,000
Interest Earned	<u>296</u>
Total Revenues	23,296
Expenditures:	
Debt Service - Principal	<u>(20,260)</u>
Fund Balance - End of Year	<u>12,928</u>

**NOTE 7 - PERPETUAL CARE**

The following schedule is a statement of revenues, expenditures and changes in fund balances:

Fund Balance - Beginning of Year	54,241
Receipts:	
Sale of Cemetery Perpetual Care Certificates	1,643
Expenditures	<u>(10,621)</u>
Fund Balance - End of Year	<u>45,263</u>

**CASTLE DALE CITY**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

June 30, 2005

**NOTE 8 - CLASS "C" ROAD**

The following schedule is a statement of revenues, expenditures in the Class "C" Roads:

Fund Balance - Beginning of Year		17,000
Revenues:		
State of Utah Allotments	63,080	
Interest	<u>912</u>	
Total Revenues		63,992
Expenditures:		
Class "C" Road Projects		<u>(37,992)</u>
Fund Balance - End of Year		<u><u>43,000</u></u>

**NOTE 9 - STATE RETIREMENT PLANS**

**Local Governmental - Cost Sharing:**

**Plan Description:**

Castle Dale City contributes to the Local Governmental Noncontributory Retirement Systems which is a cost-sharing multiple-employer defined benefit pension plan administered by the Utah Retirement Systems (Systems). The System provides retirement benefits, annual cost of living allowances, death benefits and refunds to plan members and beneficiaries in accordance with retirement statutes established and amended by the State Legislature.

The Systems are established and governed by the respective sections of Chapter 49 of the Utah Code Annotated 1953 (Chapter 49) as amended, which also establishes the Utah State Retirement Office (Office) for the administration of the Utah Retirement Systems and plans. Chapter 49 places the Systems, the Office and related plans and programs under the direction of the Utah State Retirement Board (Board) whose members are appointed by the Governor. The Systems issue a publicly available financial report that included financial statements and required supplementary information for the Systems and Plans. A copy of the report may be obtained by writing to the Utah Retirement Systems, 540 East 200 South, Salt Lake City, UT 84102 or by calling 1-800-365-8772.

**Funding Policy:**

Castle Dale City is required to contribute a percent of covered salary to the following system; 11.09% to the Noncontributory System. The contribution rates are the actuarially determined rates and are approved by the Board as authorized by Chapter 49.

**CASTLE DALE CITY**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

June 30, 2005

**NOTE 9 - STATE RETIREMENT PLANS (CONTINUED)**

Castle Dale City contributions to the various systems for the years ending June 30, 2005, 2004 and 2003 respectively were; for the Noncontributory System, \$7,592.14, \$6,958.26 and \$6,188.66. The contributions were equal to the required contributions for each year.

**NOTE 10 - RISK MANAGEMENT**

Castle Dale City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and injuries and disasters. The City is insured through the Utah Local Government Trust for general liability coverage. The limits of coverage are \$5,000,000 with a \$250 deductible for each occurrence for both comprehensive general liability and automobile liability. Uninsured motorist has a \$50,000 limit per each accident.

The City is also insured through a commercial insurance carrier for property coverage. This policy provides All Risk coverage with a \$1,000 deductible for buildings, contents, and equipment. Worker's compensation coverage is with the State of Utah.

Claims have not exceeded coverage in any of the last three calendar years.



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**REQUIRED SUPPLEMENTARY  
INFORMATION  
"UNAUDITED"**

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**CASTLE DALE CITY  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND**

**For The Fiscal Year Ended June 30, 2005**

	Budgeted Amounts		Actual Amounts (Budgetary Basis) (See Note A)	Variance With Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1, 2004	91,720	91,720	91,720	-
<b>Resources (Inflows):</b>				
<b>Taxes:</b>				
General Property Taxes	55,128	55,128	55,921	793
Delinquent Prior Years Taxes	2,500	2,500	3,395	895
General Sales and Use Taxes	210,000	210,000	267,526	57,526
Franchise Taxes	9,285	9,285	9,251	(34)
Fee-In-Lieu	21,000	21,000	18,606	(2,394)
Energy Tax	27,850	27,850	32,180	4,330
Telecommunications Tax	-	-	21,061	21,061
<b>Total Taxes</b>	<b>325,763</b>	<b>325,763</b>	<b>407,940</b>	<b>82,177</b>
<b>Licenses and Permits:</b>				
Business Licenses	4,000	4,000	4,804	804
Building Permits	726	726	756	30
Animal Licenses	1,500	1,500	2,368	868
<b>Total Licenses and Permits</b>	<b>6,226</b>	<b>6,226</b>	<b>7,928</b>	<b>1,702</b>
<b>Intergovernmental Revenue:</b>				
Class C Road	81,467	81,467	63,080	(18,387)
State Grants	-	100,000	95,690	(4,310)
State Liquor Allotment	1,569	1,569	-	(1,569)
Contributions from County	15,000	15,000	15,000	-
<b>Total Intergovernmental Revenue</b>	<b>98,036</b>	<b>198,036</b>	<b>173,770</b>	<b>(24,266)</b>
<b>Charges for Services:</b>				
Cemetery and Parks	4,000	4,000	3,085	(915)
Swimming Pool	30,000	30,000	31,771	1,771
<b>Total Charges for Services</b>	<b>34,000</b>	<b>34,000</b>	<b>34,856</b>	<b>856</b>

Continued

**CASTLE DALE CITY  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND**

For The Fiscal Year Ended June 30, 2005

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u> <u>(Budgetary Basis)</u>	<u>Variance With</u> <u>Final Budget</u>
	<u>Original</u>	<u>Final</u>	<u>(See Note A)</u>	<u>Positive</u> <u>(Negative)</u>
Resources (Inflows) Continued:				
Miscellaneous Revenue:				
Interest	3,000	3,000	7,044	4,044
Miscellaneous	6,824	6,824	13,753	6,929
Sale of Equipment	-	-	20,100	20,100
Use of Fund Balance	19,594	19,594	-	(19,594)
Total Miscellaneous Revenue	29,418	29,418	40,897	11,479
Amounts Available for Appropriation	585,163	685,163	757,111	71,948
Charges to Appropriations (Outflows):				
General Government:				
Mayor and Council	25,365	25,365	28,350	(2,985)
Treasurer	12,340	12,340	11,433	907
Recorder	5,000	5,000	4,066	934
Non-Departmental	132,175	232,175	223,333	8,842
Building and Grounds	2,000	2,000	2,915	(915)
Planning and Zoning	5,000	5,000	5,426	(426)
Total General Government	181,880	281,880	275,523	6,357
Public Safety:				
Police Department	1,586	1,586	1,569	17
Fire Department	25,000	25,000	19,503	5,497
Animal Control	4,250	4,250	6,276	(2,026)
Total Public Safety	30,836	30,836	27,348	3,488
Streets and Public Improvements:				
Streets	5,000	5,000	4,507	493
Class C Road	42,467	42,467	37,992	4,475
Garbage	38,260	38,260	29,793	8,467
General Maintenance	27,000	27,000	35,751	(8,751)
Total Highways and Public Improvements	112,727	112,727	108,043	4,684

Continued

**CASTLE DALE CITY  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND**

**For The Fiscal Year Ended June 30, 2005**

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis) (See Note A)</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Charges to Appropriations (Outflows) Continued:</b>				
Parks and Recreation:				
Parks	10,000	10,000	10,142	(142)
Ball Parks	8,000	8,000	7,881	119
Swimming Pool	75,000	75,000	66,775	8,225
Cemetery	11,000	11,000	10,500	500
Rodeo Grounds	41,000	41,000	40,629	371
Lease Payment	23,000	23,000	23,000	-
Total Parks and Recreation	<u>168,000</u>	<u>168,000</u>	<u>158,927</u>	<u>9,073</u>
Total Charges to Appropriations	<u>493,443</u>	<u>593,443</u>	<u>569,841</u>	<u>23,602</u>
Budgetary Fund Balance - June 30, 2005	<u>91,720</u>	<u>91,720</u>	<u>187,270</u>	<u>95,550</u>

**CASTLE DALE CITY**  
**NOTE A**  
**BUDGETARY COMPARISON SCHEDULE**  
**BUDGET-TO-GAAP RECONCILIATION**

For The Fiscal Year Ended June 30, 2005

	<u>General Fund</u>
<b>Sources/Inflows and Resources:</b>	
Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedules.	757,111
<b>Differences - Budget to GAAP:</b>	
The fund balance at the beginning of the year is a budgetary resource but is not a current-year revenue for financial reporting purposes.	<u>(91,720)</u>
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds.	<u>665,391</u>
<b>Uses/Outflows of Resources:</b>	
Actual amounts (budgetary Basis "total charges to appropriations" from the budgetary comparison schedules.	569,841
<b>Differences - Budget to GAAP:</b>	
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting pruposes.	<u>-</u>
Total expenditures as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds	<u>569,841</u>

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is used to assist in formatting, for easier reading)

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**COMBINING FINANCIAL  
STATEMENTS AND SCHEDULES**

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**CASTLE DALE CITY  
NONMAJOR GOVERNMENTAL FUNDS**

**For The Fiscal Year Ended June 30, 2005**

**SPECIAL REVENUE FUNDS**

Special Revenue Funds are used to account for specific revenues that are legally restricted to expenditures for particular purposes.

**Municipal Building Authority:**

The Municipal Building Authority Fund is used to construct public facilities in the City and to pay the indebtedness related to the cost of those facilities.

**PERMANENT FUND**

Permanent Funds are used to report resources that are legally restricted to the extent that only earnings, not principal, may be used for purposes that support the reporting government's programs.

**Perpetual Care Fund:**

This fund is used to account for principal trust amounts received and related interest income. The interest portion of the trust can be used to maintain the community cemetery.



**CASTLE DALE CITY  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS**

June 30, 2005

	<u>Municipal Building Authority</u>	<u>Permanent Fund Perpetual Care</u>	<u>Total Nonmajor Government Funds</u>
<b>ASSETS</b>			
Cash and Cash Equivalents	<u>12,928</u>	<u>45,263</u>	<u>58,191</u>
<b>TOTAL ASSETS</b>	<u><u>12,928</u></u>	<u><u>45,263</u></u>	<u><u>58,191</u></u>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances:			
Unreserved, Reported in:			
Perpetual Care	-	45,263	45,263
Special Revenue Funds	<u>12,928</u>	<u>-</u>	<u>12,928</u>
<b>Total Fund Balances</b>	<u>12,928</u>	<u>45,263</u>	<u>58,191</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u><u>12,928</u></u>	<u><u>45,263</u></u>	<u><u>58,191</u></u>

**CASTLE DALE CITY**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**

For The Year Ended June 30, 2005

	<u>Municipal Building Authority</u>	<u>Permanent Fund Perpetual Care</u>	<u>Total Nonmajor Government Funds</u>
<b>Revenues:</b>			
Interest	295	-	295
Perpetual Care	-	1,643	1,643
Lease Revenue	<u>23,000</u>	<u>-</u>	<u>23,000</u>
<b>Total Revenues</b>	<u>23,295</u>	<u>1,643</u>	<u>24,938</u>
<b>Expenditures:</b>			
Current:			
General Government	-	225	225
Capital Outlay	-	10,396	10,396
Debt Service:			
Principal	18,000	-	18,000
Interest	<u>2,260</u>	<u>-</u>	<u>2,260</u>
<b>Total Expenditures</b>	<u>20,260</u>	<u>10,621</u>	<u>30,881</u>
<b>Net Change in Fund Balance</b>	3,035	(8,978)	(5,943)
<b>Fund Balances - Beginning</b>	<u>9,893</u>	<u>54,241</u>	<u>64,134</u>
<b>Fund Balances - Ending</b>	<u><u>12,928</u></u>	<u><u>45,263</u></u>	<u><u>58,191</u></u>

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## **COMPLIANCE SECTION**

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# Kimball & Roberts

Certified Public Accountants

A Professional Corporation

Box 663

Richfield, Utah 84701

Phone 896-6488

## REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Honorable Mayor and City Council  
Castle Dale City  
Castle Dale, Utah 84513

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Castle Dale City as and for the year ended June 30, 2005, which collectively comprise Castle Dale City's basic financial statements and have issued our report thereon dated September 29, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered Castle Dale City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

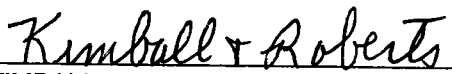
### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Castle Dale City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

However, we noted certain matters that we reported to the management of Castle Dale City in a separate letter dated September 29, 2005.

Honorable Mayor and City Council  
Castle Dale City  
Page -2-

This report is intended solely for the information and use of the audit committee, management, City Council and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

  
KIMBALL & ROBERTS, P. C.  
Certified Public Accountants

September 29, 2005  
Richfield, Utah

# Kimball & Roberts

*Certified Public Accountants*

*A Professional Corporation*

*Box 663*

*Richfield, Utah 84701*

*Phone 896-6488*

## AUDITOR'S REPORT ON STATE LEGAL COMPLIANCE

Honorable Mayor and City Council  
Castle Dale City  
Castle Dale, Utah 84513

We have audited the financial statements of Castle Dale City, for the fiscal year ended June 30, 2004, and have issued our report thereon dated September 29, 2005. As part of our audit, we have audited Castle Dale City's compliance with the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; special tests and provisions applicable to each of its major State assistance programs as required by the State of Utah's Legal Compliance Audit Guide for the fiscal year ended June 30, 2005. The City received the following major State assistance programs from the State of Utah:

C Road Funds (Department of Transportation)  
Liquor Law Enforcement (State Tax Commission)

The City also received the following nonmajor grant, which is not required to be audited for specific compliance requirements: (However, this program was subject to testwork as part of the audit of Castle Dale City's financial statements.)

CIB Grant (Department of Community and Economic Development)

Our audit also included testwork on the City's compliance with those general compliance requirements identified in the Compliance Manual for Audits of Local Governments in Utah including:

Public Debt  
Cash Management  
Purchasing Requirements  
Budgetary Compliance  
Property Tax  
Other Compliance Requirements

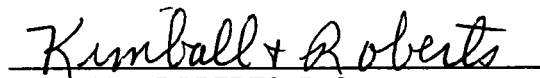
The management of Castle Dale City is responsible for the City's compliance with all compliance requirements identified above. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

Honorable Mayor and City Council  
Castle Dale City  
Page -2-

The results of our audit procedures disclosed immaterial instances of noncompliance with the requirements referred to above, which are described in a separate management letter. We considered these instances of noncompliance in forming our opinion on compliance, which is expressed in the following paragraph.

In our opinion, Castle Dale City, complied, in all material respects, with the general compliance requirements identified above and the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; and special tests and provisions that are applicable to its major State assistance programs for the fiscal year ended June 30, 2005.

  
KIMBALL & ROBERTS, P. C.  
Certified Public Accountants

September 29, 2005  
Richfield, Utah

**CASTLE DALE CITY  
MANAGEMENT LETTER  
JUNE 30, 2005**



# Kimball & Roberts

Certified Public Accountants

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Richfield, Utah 84701

Phone 896-6488

## FINDINGS AND RECOMMENDATIONS

Honorable Mayor and City Council  
Castle Dale City  
Castle Dale, Utah 84513

During our audit of the funds of Castle Dale City for the fiscal year ended June 30, 2005, we noted an area needing corrective action in order for the City to be in compliance with state laws and regulations. This item is discussed below for your consideration.

### COMPLIANCE:

#### Fund Balance

The maximum unreserved fund balance in the general fund may not exceed 18% of the total estimated revenue of the general fund.

#### Finding:

During our audit we noted that the City has excess fund balance. The total estimated revenue for the general fund is \$482,129. Eighteen percent of this amount would be \$86,783. The present unreserved fund balance is \$144,270.

#### Recommendation:

We recommend that the city reduce its unreserved fund balance to comply with the requirements of State Law. This may be accomplished by either budgeting and expending the excess or transferring the excess to a capital project fund for planned capital projects.

#### Response:

We have discussed this finding with management and management agrees with the recommendation.

We would like to take this opportunity to thank Castle Dale City's personnel for the cooperation and assistance given to us during the course of our examination.

Respectfully submitted,

  
KIMBALL & ROBERTS  
Certified Public Accountants

September 29, 2005  
Richfield, Utah